

Rule 2.7, 3.10.3, 3.10.4, 3.10.5

Appendix 3B

New issue announcement, application for quotation of additional securities and agreement

*Information or documents not available now must be given to ASX as soon as available.
Information and documents given to ASX become ASX's property and may be made public.*

Introduced 1/7/96. Origin: Appendix 5. Amended 1/7/98, 1/9/99, 1/7/2000, 30/9/2001, 11/3/2002, 1/1/2003.

Name of entity

ALARA RESOURCES LIMITED (AUQ)

ABN

27 122 892 719

We (the entity) give ASX the following information.

Part 1 - All issues

You must complete the relevant sections (attach sheets if there is not enough space).

- | | | |
|---|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1 | +Class of +securities issued or to be issued | (a) \$0.60 (25 May 2014) Unlisted Directors' Options
(b) \$0.50 (25 May 2014) Unlisted Options
(c) \$0.60 (25 May 2014) Unlisted Options
(d) \$0.70 (25 May 2014) Unlisted Options |
| 2 | Number of +securities issued or to be issued (if known) or maximum number which may be issued | (a) 500,000
(b) 500,000
(c) 425,000
(d) 425,000 |
| 3 | Principal terms of the +securities (eg, if options, exercise price and expiry date; if partly paid +securities, the amount outstanding and due dates for payment; if +convertible securities, the conversion price and dates for conversion) | (a) \$0.60 (25 May 2014) Unlisted Directors' Options:
(1) \$0.60 exercise price;
(2) Exercisable at any time on or before 5:00pm (Perth time) on 25 May 2014;
(3) The full terms and conditions of issue are contained in <u>Annexure A</u> |

+ See chapter 19 for defined terms.

<p>3 (continued)</p>	<p>(b) \$0.50 (25 May 2014) Unlisted Options:</p> <p>(1) \$0.50 exercise price;</p> <p>(2) Exercisable at any time on or before 5:00pm (Perth time) on 25 May 2014;</p> <p>(3) The full terms and conditions of issue are contained in <u>Annexure B</u></p> <p>(c) \$0.60 (25 May 2014) Unlisted Options:</p> <p>(1) \$0.60 exercise price;</p> <p>(2) Exercisable at any time on or before 5:00pm (Perth time) on 25 May 2014;</p> <p>(3) The full terms and conditions of issue are contained in <u>Annexure C</u></p> <p>(d) \$0.70 (25 May 2014) Unlisted Options:</p> <p>(1) \$0.70 exercise price;</p> <p>(2) Exercisable at any time on or before 5:00pm (Perth time) on 25 May 2014;</p> <p>(3) The full terms and conditions of issue are contained in <u>Annexure D</u></p>
<p>4 Do the +securities rank equally in all respects from the date of allotment with an existing +class of quoted +securities?</p> <p>If the additional securities do not rank equally, please state:</p> <ul style="list-style-type: none"> • the date from which they do • the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment • the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment 	<p>New class of options.</p> <p>Shares issued upon exercise of options have the same rights as other fully paid ordinary shares on issue.</p>
<p>5 Issue price or consideration</p>	<p>Nil</p>
<p>6 Purpose of the issue (If issued as consideration for the acquisition of assets, clearly identify those assets)</p>	<p>(a) Issue of options to Non-Executive Directors pursuant to shareholder approval at a general meeting held on 26 May 2011</p> <p>(b) Issue of options to an employee and a consultant pursuant to their terms of employment/engagement and the Company's "Employee Share Option Plan" (ESOP)</p> <p>(c) Issue of options to an employee and a consultant pursuant to their terms of employment/engagement and the Company's ESOP</p> <p>(d) Issue of options to an employee and a consultant pursuant to their terms of employment/engagement and the Company's ESOP</p>
<p>7 Dates of entering +securities into uncertificated holdings or despatch of certificates</p>	<p>26 May 2011</p>

+ See chapter 19 for defined terms.

8	Number and ⁺ class of all ⁺ securities quoted on ASX (including the securities in clause 2 if applicable)	Number	⁺ Class
		144,507,500 (also refer Table A)	ORDINARY (ASX Code: AUQ)
9	Number and ⁺ class of all ⁺ securities not quoted on ASX (including the securities in clause 2 if applicable)	Number	⁺ Class
		Refer Table A	

TABLE A

The Company currently has the following securities on issue:

	Quoted on ASX	Unlisted	Total
Fully paid ordinary shares	144,507,500	-	144,507,500
\$0.55 (26 July 2012) Unlisted Options ¹	-	500,000	500,000
\$0.35 (16 September 2013) Unlisted Options ²	-	16,400,000	16,400,000
\$0.35 (16 September 2013) Unlisted Options ²	-	1,000,000	1,035,000
\$0.35 (25 October 2014) Unlisted Options ³	-	3,650,000	3,650,000
\$0.60 (25 October 2014) Unlisted Options ³	-	2,000,000	2,000,000
\$0.35 (22 August 2015) Unlisted Options ⁴	-	400,000	400,000
\$0.60 (25 May 2014) Unlisted Directors' Options		500,000	500,000
\$0.50 (25 May 2014) Unlisted Options		500,000	500,000
\$0.60 (25 May 2014) Unlisted Options		425,000	425,000
\$0.70 (25 May 2014) Unlisted Options		425,000	425,000
Total	144,507,500	25,800,000	170,342,500

10	Dividend policy (in the case of a trust, distribution policy) on the increased capital (interests)	N/A
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Part 2 - Bonus issue or pro rata issue

11	Is security holder approval required?	N/A
12	Is the issue renounceable or non-renounceable?	N/A
13	Ratio in which the ⁺ securities will be offered	N/A

¹ Terms and conditions of issue are set out in a [Notice of Meeting and Explanatory Statement dated 21 June 2007](#) for a General Meeting held on 7 July 2007 and in an [ASX Appendix 3B New Issue Announcement lodged on 3 August 2007](#)

² Terms and conditions of issue are set out in a [Notice of Meeting and Explanatory Statement dated 18 August 2008](#) for a General Meeting held on 17 September 2008 and in an [ASX Appendix 3B New Issue Announcement lodged on 24 September 2008](#)

³ Terms and conditions of issue are set out in a [Notice of Meeting and Explanatory Statement dated 26 October 2009](#) for an Annual General Meeting held on 30 November 2009 and in ASX Appendix 3B New Issue Announcements lodged on [26 October 2009](#) and [1 December 2009](#)

⁴ Terms and conditions of issue are set out in an [ASX Appendix 3B New Issue Announcements lodged on 23 August 2010](#)

+ See chapter 19 for defined terms.

14	+Class of +securities to which the offer relates	N/A
15	+Record date to determine entitlements	N/A
16	Will holdings on different registers (or subregisters) be aggregated for calculating entitlements?	N/A
17	Policy for deciding entitlements in relation to fractions	N/A
18	Names of countries in which the entity has +security holders who will not be sent new issue documents Note: Security holders must be told how their entitlements are to be dealt with. Cross reference: rule 7.7.	N/A
19	Closing date for receipt of acceptances or renunciations	N/A
20	Names of any underwriters	N/A
21	Amount of any underwriting fee or commission	N/A
22	Names of any brokers to the issue	N/A
23	Fee or commission payable to the broker to the issue	N/A
24	Amount of any handling fee payable to brokers who lodge acceptances or renunciations on behalf of +security holders	N/A
25	If the issue is contingent on +security holders' approval, the date of the meeting	N/A
26	Date entitlement and acceptance form and prospectus or Product Disclosure Statement will be sent to persons entitled	N/A
27	If the entity has issued options, and the terms entitle option holders to participate on exercise, the date on which notices will be sent to option holders	N/A
28	Date rights trading will begin (if applicable)	N/A
29	Date rights trading will end (if applicable)	N/A
30	How do +security holders sell their entitlements <i>in full</i> through a broker?	N/A
31	How do +security holders sell <i>part</i> of their entitlements through a broker and accept for the balance?	N/A
32	How do +security holders dispose of their entitlements (except by sale through a broker)?	N/A
33	+Despatch date	N/A

+ See chapter 19 for defined terms.

Part 3 - Quotation of securities

You need only complete this section if you are applying for quotation of securities

34 Type of securities
(tick one)

(a) Securities described in Part 1

(b) All other securities

Example: restricted securities at the end of the escrowed period, partly paid securities that become fully paid, employee incentive share securities when restriction ends, securities issued on expiry or conversion of convertible securities

Entities that have ticked box 34(a)

Additional securities forming a new class of securities

Tick to indicate you are providing the information or documents

35 If the +securities are +equity securities, the names of the 20 largest holders of the additional +securities, and the number and percentage of additional +securities held by those holders

36 If the +securities are +equity securities, a distribution schedule of the additional +securities setting out the number of holders in the categories
1 - 1,000
1,001 - 5,000
5,001 - 10,000
10,001 - 100,000
100,001 and over

37 A copy of any trust deed for the additional +securities

Entities that have ticked box 34(b)

38 Number of securities for which +quotation is sought

39 Class of +securities for which quotation is sought

40 Do the +securities rank equally in all respects from the date of allotment with an existing +class of quoted +securities?

If the additional securities do not rank equally, please state:

- the date from which they do
- the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment
- the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment

+ See chapter 19 for defined terms.

41	Reason for request for quotation now Example: In the case of restricted securities, end of restriction period (if issued upon conversion of another security, clearly identify that other security)	N/A				
42	Number and ⁺ class of all ⁺ securities quoted on ASX (including the securities in clause 38)	<table border="1" style="width: 100%;"> <thead> <tr> <th style="width: 50%;">Number</th> <th style="width: 50%;">⁺Class</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">N/A</td> <td></td> </tr> </tbody> </table>	Number	⁺ Class	N/A	
Number	⁺ Class					
N/A						

Quotation agreement

- 1 ⁺Quotation of our additional ⁺securities is in ASX's absolute discretion. ASX may quote the ⁺securities on any conditions it decides.
- 2 We warrant the following to ASX.
 - The issue of the ⁺securities to be quoted complies with the law and is not for an illegal purpose.
 - There is no reason why those ⁺securities should not be granted ⁺quotation.
 - An offer of the ⁺securities for sale within 12 months after their issue will not require disclosure under section 707(3) or section 1012C(6) of the Corporations Act.

Note: An entity may need to obtain appropriate warranties from subscribers for the securities in order to be able to give this warranty

 - Section 724 or section 1016E of the Corporations Act does not apply to any applications received by us in relation to any ⁺securities to be quoted and that no-one has any right to return any ⁺securities to be quoted under sections 737, 738 or 1016F of the Corporations Act at the time that we request that the ⁺securities be quoted.
 - We warrant that if confirmation is required under section 1017F of the Corporations Act in relation to the ⁺securities to be quoted, it has been provided at the time that we request that the ⁺securities be quoted.
 - If we are a trust, we warrant that no person has the right to return the ⁺securities to be quoted under section 1019B of the Corporations Act at the time that we request that the ⁺securities be quoted.
- 3 We will indemnify ASX to the fullest extent permitted by law in respect of any claim, action or expense arising from or connected with any breach of the warranties in this agreement.
- 4 We give ASX the information and documents required by this form. If any information or document not available now, will give it to ASX before ⁺quotation of the ⁺securities begins. We acknowledge that ASX is relying on the information and documents. We warrant that they are (will be) true and complete.



Sign here: Date: **27 May 2011**
 (Company Secretary)

Print name: **VICTOR HO**
 ===

+ See chapter 19 for defined terms.

**TERMS AND CONDITIONS OF
\$0.60 (25 May 2014) UNLISTED DIRECTORS' OPTIONS**

**ALARA RESOURCES LIMITED
A.B.N. 27 122 892 719**

1. Nil Consideration Payable

No subscription or application monies will be payable for the issue of each option (**Option**).

2. Entitlement

Each Option shall entitle the holder (the **Option Holder**) to subscribe (in cash) for one (1) fully-paid ordinary share (**Share**) in the capital of Alara Resources Limited ACN 122 892 719 (**Company**) at an exercise price equal to \$0.60 (**Exercise Price**).

The Options will not be quoted on the ASX.

3. Option Period

Each Option will expire at 5:00pm (Perth time) on 25 May 2014 (such date being referred to as the **Option Expiry Date**). Subject to Clauses 4, 5 and 9 hereof, each Option may be exercised by the Option Holder at any time prior to the Option Expiry Date and any Option not so exercised shall automatically expire on the Option Expiry Date.

4. Lapsing of Options Prior to Option Expiry Date

4.1 Options will lapse prior to the Option Expiry Date:

4.1.1 Upon determination by the Board that the Director has acted fraudulently or dishonestly in relation to his obligations to the Company;

4.1.2 Upon the Director resigning from office as a Director (other than at the request of the Board),

unless the Board determines in its unfettered discretion that lapse will not occur or will be delayed for any period or until the occurrence of any condition.

4.2 "**Director**" means the Director to whom the Company has offered the Options and who has nominated the Option Holder to receive the Options offered to him by the Company.

5. Ranking of Share Issued on Exercise of Option

Each Share issued as a result of the exercise of an Option will, subject to the Constitution of the Company, rank in all respects equally with all of the existing Shares in the capital of the Company on issue at the date of issue of the Share issued pursuant to the exercise of the Option.

6. Notification to Option Holders

The Option Holder will be entitled to receive - and will be sent - all reports, accounts and notices required to be given to the members of the Company but will not be entitled to attend or vote at any meeting of the members of the Company unless they are, in addition to being an Option Holder, a member of the Company.

7. Dealings in Options

7.1 Save as provided in clause 7.2, the Option Holder may not sell, transfer, assign, mortgage or otherwise encumber an Option, unless agreed in writing by the Board and subject to any applicable law and the ASX Listing Rules.

7.2 If the Option Holder is the Director to whom the Company has offered to apply for Options, the Director/Option Holder may at any time transfer all or any of their Options to the Director's spouse, to a company in which the Director or his spouse is a shareholder, to a trustee of a trust in which the Director or his spouse has a beneficial interest to be held on

that trust or to the trustee of any superannuation fund of which the Director or his spouse is a member to be held in that member's account, subject to any applicable law and the ASX Listing Rules. After any transfer of an Option permitted by this clause 7.2, a reference to the Option Holder is a reference to the transferee.

8. Method of Exercise of an Option

8.1 A certificate or holding statement will be issued by the Company with respect to Options held by the Option Holder. Attached to or endorsed on the reverse side of each certificate or holding statement will be a notice that is to be completed by the Option Holder when exercising the Options the subject of the certificate or holding statement (**Notice of Exercise of Options**). Vested Options may be exercised by the Option Holder completing the Notice of Exercise of Options and forwarding the same to the Secretary of the Company. The Notice of Exercise of Options must state the number of Vested Options exercised and the consequent number of ordinary Shares in the capital of the Company to be issued. The number of Vested Options exercised must be a multiple of 1,000 if only part of the Option Holder's total Vested Options are exercised. If the total number of Vested Options held by the Option Holder is less than 1,000, then all Vested Options held by the Option Holder must be exercised at the same time.

8.2 The Notice of Exercise of Options by the Option Holder must be accompanied by payment in full for the relevant number of Shares being subscribed for, being an amount equal to the Exercise Price per Share multiplied by the number of Options being exercised.

8.3 Subject to Clause 8.1 hereof, the exercise of less than all of the Option Holder's Vested Options will not prevent the Option Holder from exercising the whole or any part of the balance of the Option Holder's entitlement under the Option Holders remaining Options (when vested).

8.4 On exercise of Vested Options, the Option Holder must surrender to the Company the Option Holder's option certificate or holding statement for the Options being exercised.

8.5 If the Option Holder exercises less than the total number of Vested Options then registered in the Option Holder's name:

8.5.1 the Option Holder must surrender the option certificate or holding statement with respect to the Option Holder's Options to the Company; and

8.5.2 the Company must cancel that option certificate or holding statement and issue to the Option Holder a new certificate or holding statement with respect to the balance of the Option Holder's unexercised Options.

8.6 Within 14 days from the date the Option Holder properly exercises Vested Options held by the Option Holder, the Company shall issue to the Option Holder that number of Shares in the capital of the Company so subscribed for by the Option Holder.

- 8.7 The Company will (subject to any escrow restrictions imposed by ASX) within three (3) business days from the date of issue and allotment of Shares pursuant to the exercise of Vested Options, apply to ASX for, and use its best endeavours to obtain, Official Quotation of all such Shares, in accordance with the Corporations Act (Cth) 2001 and the Listing Rules of ASX.

9. Reconstruction

In the event of a reconstruction (including consolidation, subdivision, reduction or return) of the issued capital of the Company, the rights of the Option Holder will be treated in the manner set out in the Listing Rules of ASX applying to reconstructions at that time.

10. Participation in New Share Issues

There are no participating rights or entitlements inherent in the Options to participate in any new issues of capital which may be made or offered by the Company to its Shareholders from time to time prior to the Option Expiry Date unless and until the Options are exercised. The Company will ensure that during the exercise period of the Options, the record date for the purposes of determining entitlements to any new such issue, will be at least 9 Business Days after such new issues are announced in order to afford the Option Holder an opportunity to exercise any Vested Options then held by the Option Holder.

11. Change of Options Exercise Price or Number of Underlying Shares

- 11.1 If the Company makes a pro-rata issue (except a bonus issue) to the holders of ordinary Shares, the exercise price of each Option shall be adjusted in accordance with the provisions of the Listing Rules of ASX. No change will be made pursuant to the application of the above formula to the number of Shares to which the Option Holder is entitled.
- 11.2 If the Company makes a bonus issue of Shares or other securities convertible into ordinary Shares pro rata to holders of ordinary Shares the number of Shares issued on exercise of each Option will include the number of bonus Shares that would have been issued if the Option had been exercised by the Option Holder prior to the book closing date for bonus Shares. No change will be made in such circumstances to the exercise price of each Option.

**TERMS AND CONDITIONS OF
\$0.50 (25 MAY 2014) UNLISTED OPTIONS**

**ALARA RESOURCES LIMITED
A.B.N. 27 122 892 719**

1. Nil Consideration Payable

No subscription or application monies will be payable for the issue of each option (**Option**).

2. Entitlement

Each Option shall entitle the holder (the **Option Holder**) to subscribe (in cash) for one (1) fully-paid ordinary share (**Share**) in the capital of Alara Resources Limited ACN 122 892 719 (**Company**) at an exercise price equal to \$0.50 (**Exercise Price**).

The Options will not be quoted on the ASX.

3. Option Period

Each Option will expire at 5:00pm (Perth time) on 25 May 2014 (such date being referred to as the **Option Expiry Date**). Subject to Clauses 4, 5 and 9 hereof, each Option may be exercised by the Option Holder at any time prior to the Option Expiry Date and any Option not so exercised shall automatically expire on the Option Expiry Date.

4. Lapsing of Options Prior to Option Expiry Date

4.1 Options will lapse prior to the Option Expiry Date:

4.1.1 Upon determination by the Board that the Employee has acted fraudulently or dishonestly in relation to his obligations to the Company or the Principal Consultant's agreement with the Company has been terminated with cause by the Company (as defined therein), as the case may be;

4.1.2 Upon the Employee resigning from office as a Employee (other than at the request of the Board) or the Principal Consultant terminating his agreement with the Company without cause (as defined therein) (as the case may be) and not exercising the Option within one month following that event,

unless the Board determines in its unfettered discretion that lapse will not occur or will be delayed for any period or until the occurrence of any condition.

4.2 "**Employee/Principal Consultant**" means the Employee or Principal Consultant (as the case may be) to whom the Company has offered the Options and who has nominated the Option Holder to receive the Options offered to him by the Company.

5. Ranking of Share Issued on Exercise of Option

Each Share issued as a result of the exercise of an Option will, subject to the Constitution of the Company, rank in all respects equally with all of the existing Shares in the capital of the Company on issue at the date of issue of the Share issued pursuant to the exercise of the Option.

6. Notification to Option Holders

The Option Holder will be entitled to receive - and will be sent - all reports, accounts and notices required to be given to the members of the Company but will not be entitled to attend or vote at any meeting of the members of the Company unless they are, in addition to being an Option Holder, a member of the Company.

7. Dealings in Options

7.1 Save as provided in clause 7.2, the Option Holder may not sell, transfer, assign, mortgage or otherwise encumber an Option,

unless agreed in writing by the Board and subject to any applicable law and the ASX Listing Rules.

7.2 If the Option Holder is the Employee/Principal Consultant to whom the Company has offered to apply for Options, the Employee/Principal Consultant Option Holder may at any time transfer all or any of their Options to the Employee/Principal Consultant's spouse, to a company in which the Employee/Principal Consultant or his spouse is a shareholder, to a trustee of a trust in which the Employee/Principal Consultant or his spouse has a beneficial interest to be held on that trust or to the trustee of any superannuation fund of which the Employee/Principal Consultant or his spouse is a member to be held in that member's account, subject to any applicable law and the ASX Listing Rules. After any transfer of an Option permitted by this clause 7.2, a reference to the Option Holder is a reference to the transferee.

8. Method of Exercise of an Option

8.1 A certificate or holding statement will be issued by the Company with respect to Options held by the Option Holder. Attached to or endorsed on the reverse side of each certificate or holding statement will be a notice that is to be completed by the Option Holder when exercising the Options the subject of the certificate or holding statement (**Notice of Exercise of Options**). Vested Options may be exercised by the Option Holder completing the Notice of Exercise of Options and forwarding the same to the Secretary of the Company. The Notice of Exercise of Options must state the number of Vested Options exercised and the consequent number of ordinary Shares in the capital of the Company to be issued. The number of Vested Options exercised must be a multiple of 1,000 if only part of the Option Holder's total Vested Options are exercised. If the total number of Vested Options held by the Option Holder is less than 1,000, then all Vested Options held by the Option Holder must be exercised at the same time.

8.2 The Notice of Exercise of Options by the Option Holder must be accompanied by payment in full for the relevant number of Shares being subscribed for, being an amount equal to the Exercise Price per Share multiplied by the number of Options being exercised.

8.3 Subject to Clause 8.1 hereof, the exercise of less than all of the Option Holder's Vested Options will not prevent the Option Holder from exercising the whole or any part of the balance of the Option Holder's entitlement under the Option Holders remaining Options (when vested).

8.4 On exercise of Vested Options, the Option Holder must surrender to the Company the Option Holder's option certificate or holding statement for the Options being exercised.

8.5 If the Option Holder exercises less than the total number of Vested Options then registered in the Option Holder's name:

8.5.1 the Option Holder must surrender the option certificate or holding statement with respect to the Option Holder's Options to the Company; and

- 8.5.2 the Company must cancel that option certificate or holding statement and issue to the Option Holder a new certificate or holding statement with respect to the balance of the Option Holder's unexercised Options.
- 8.6 Within 14 days from the date the Option Holder properly exercises Vested Options held by the Option Holder, the Company shall issue to the Option Holder that number of Shares in the capital of the Company so subscribed for by the Option Holder.
- 8.7 The Company will (subject to any escrow restrictions imposed by ASX) within three (3) business days from the date of issue and allotment of Shares pursuant to the exercise of Vested Options, apply to ASX for, and use its best endeavours to obtain, Official Quotation of all such Shares, in accordance with the Corporations Act (Cth) 2001 and the Listing Rules of ASX.

9. Reconstruction

In the event of a reconstruction (including consolidation, subdivision, reduction or return) of the issued capital of the Company, the rights of the Option Holder will be treated in the manner set out in the Listing Rules of ASX applying to reconstructions at that time.

10. Participation in New Share Issues

There are no participating rights or entitlements inherent in the Options to participate in any new issues of capital which may be made or offered by the Company to its Shareholders from time to time prior to the Option Expiry Date unless and until the Options are exercised. The Company will ensure that during the exercise period of the Options, the record date for the purposes of determining entitlements to any new such issue, will be at least 9 Business Days after such new issues are announced in order to afford the Option Holder an opportunity to exercise any Vested Options then held by the Option Holder.

11. Change of Options Exercise Price or Number of Underlying Shares

- 11.1 If the Company makes a pro-rata issue (except a bonus issue) to the holders of ordinary Shares, the exercise price of each Option shall be adjusted in accordance with the provisions of the Listing Rules of ASX. No change will be made pursuant to the application of the above formula to the number of Shares to which the Option Holder is entitled.
- 11.2 If the Company makes a bonus issue of Shares or other securities convertible into ordinary Shares pro rata to holders of ordinary Shares the number of Shares issued on exercise of each Option will include the number of bonus Shares that would have been issued if the Option had been exercised by the Option Holder prior to the book closing date for bonus Shares. No change will be made in such circumstances to the exercise price of each Option.

**TERMS AND CONDITIONS OF
\$0.60 (25 MAY 2014) UNLISTED OPTIONS**

**ALARA RESOURCES LIMITED
A.B.N. 27 122 892 719**

1. Nil Consideration Payable

No subscription or application monies will be payable for the issue of each option (**Option**).

2. Entitlement

Each Option shall entitle the holder (the **Option Holder**) to subscribe (in cash) for one (1) fully-paid ordinary share (**Share**) in the capital of Alara Resources Limited ACN 122 892 719 (**Company**) at an exercise price equal to \$0.60 (**Exercise Price**).

The Options will not be quoted on the ASX.

3. Option Period

Each Option will expire at 5:00pm (Perth time) on 25 May 2014 (such date being referred to as the **Option Expiry Date**). Subject to Clauses 4, 5 and 9 hereof, each Option may be exercised by the Option Holder at any time prior to the Option Expiry Date and any Option not so exercised shall automatically expire on the Option Expiry Date.

4. Lapsing of Options Prior to Option Expiry Date

4.1 Options will lapse prior to the Option Expiry Date:

4.1.1 Upon determination by the Board that the Employee has acted fraudulently or dishonestly in relation to his obligations to the Company or the Principal Consultant's agreement with the Company has been terminated with cause by the Company (as defined therein), as the case may be;

4.1.2 Upon the Employee resigning from office as a Employee (other than at the request of the Board) or the Principal Consultant terminating his agreement with the Company without cause (as defined therein) (as the case may be) and not exercising the Option within one month following that event,

unless the Board determines in its unfettered discretion that lapse will not occur or will be delayed for any period or until the occurrence of any condition.

4.2 "**Employee/Principal Consultant**" means the Employee or Principal Consultant (as the case may be) to whom the Company has offered the Options and who has nominated the Option Holder to receive the Options offered to him by the Company.

5. Ranking of Share Issued on Exercise of Option

Each Share issued as a result of the exercise of an Option will, subject to the Constitution of the Company, rank in all respects equally with all of the existing Shares in the capital of the Company on issue at the date of issue of the Share issued pursuant to the exercise of the Option.

6. Notification to Option Holders

The Option Holder will be entitled to receive - and will be sent - all reports, accounts and notices required to be given to the members of the Company but will not be entitled to attend or vote at any meeting of the members of the Company unless they are, in addition to being an Option Holder, a member of the Company.

7. Dealings in Options

7.1 Save as provided in clause 7.2, the Option Holder may not sell, transfer, assign, mortgage or otherwise encumber an Option,

unless agreed in writing by the Board and subject to any applicable law and the ASX Listing Rules.

7.2 If the Option Holder is the Employee/Principal Consultant to whom the Company has offered to apply for Options, the Employee/Principal Consultant Option Holder may at any time transfer all or any of their Options to the Employee/Principal Consultant's spouse, to a company in which the Employee/Principal Consultant or his spouse is a shareholder, to a trustee of a trust in which the Employee/Principal Consultant or his spouse has a beneficial interest to be held on that trust or to the trustee of any superannuation fund of which the Employee/Principal Consultant or his spouse is a member to be held in that member's account, subject to any applicable law and the ASX Listing Rules. After any transfer of an Option permitted by this clause 7.2, a reference to the Option Holder is a reference to the transferee.

8. Method of Exercise of an Option

8.1 A certificate or holding statement will be issued by the Company with respect to Options held by the Option Holder. Attached to or endorsed on the reverse side of each certificate or holding statement will be a notice that is to be completed by the Option Holder when exercising the Options the subject of the certificate or holding statement (**Notice of Exercise of Options**). Vested Options may be exercised by the Option Holder completing the Notice of Exercise of Options and forwarding the same to the Secretary of the Company. The Notice of Exercise of Options must state the number of Vested Options exercised and the consequent number of ordinary Shares in the capital of the Company to be issued. The number of Vested Options exercised must be a multiple of 1,000 if only part of the Option Holder's total Vested Options are exercised. If the total number of Vested Options held by the Option Holder is less than 1,000, then all Vested Options held by the Option Holder must be exercised at the same time.

8.2 The Notice of Exercise of Options by the Option Holder must be accompanied by payment in full for the relevant number of Shares being subscribed for, being an amount equal to the Exercise Price per Share multiplied by the number of Options being exercised.

8.3 Subject to Clause 8.1 hereof, the exercise of less than all of the Option Holder's Vested Options will not prevent the Option Holder from exercising the whole or any part of the balance of the Option Holder's entitlement under the Option Holders remaining Options (when vested).

8.4 On exercise of Vested Options, the Option Holder must surrender to the Company the Option Holder's option certificate or holding statement for the Options being exercised.

8.5 If the Option Holder exercises less than the total number of Vested Options then registered in the Option Holder's name:

8.5.1 the Option Holder must surrender the option certificate or holding statement with respect to the Option Holder's Options to the Company; and

- 8.5.2 the Company must cancel that option certificate or holding statement and issue to the Option Holder a new certificate or holding statement with respect to the balance of the Option Holder's unexercised Options.
- 8.6 Within 14 days from the date the Option Holder properly exercises Vested Options held by the Option Holder, the Company shall issue to the Option Holder that number of Shares in the capital of the Company so subscribed for by the Option Holder.
- 8.7 The Company will (subject to any escrow restrictions imposed by ASX) within three (3) business days from the date of issue and allotment of Shares pursuant to the exercise of Vested Options, apply to ASX for, and use its best endeavours to obtain, Official Quotation of all such Shares, in accordance with the Corporations Act (Cth) 2001 and the Listing Rules of ASX.

9. Reconstruction

In the event of a reconstruction (including consolidation, subdivision, reduction or return) of the issued capital of the Company, the rights of the Option Holder will be treated in the manner set out in the Listing Rules of ASX applying to reconstructions at that time.

10. Participation in New Share Issues

There are no participating rights or entitlements inherent in the Options to participate in any new issues of capital which may be made or offered by the Company to its Shareholders from time to time prior to the Option Expiry Date unless and until the Options are exercised. The Company will ensure that during the exercise period of the Options, the record date for the purposes of determining entitlements to any new such issue, will be at least 9 Business Days after such new issues are announced in order to afford the Option Holder an opportunity to exercise any Vested Options then held by the Option Holder.

11. Change of Options Exercise Price or Number of Underlying Shares

- 11.1 If the Company makes a pro-rata issue (except a bonus issue) to the holders of ordinary Shares, the exercise price of each Option shall be adjusted in accordance with the provisions of the Listing Rules of ASX. No change will be made pursuant to the application of the above formula to the number of Shares to which the Option Holder is entitled.
- 11.2 If the Company makes a bonus issue of Shares or other securities convertible into ordinary Shares pro rata to holders of ordinary Shares the number of Shares issued on exercise of each Option will include the number of bonus Shares that would have been issued if the Option had been exercised by the Option Holder prior to the book closing date for bonus Shares. No change will be made in such circumstances to the exercise price of each Option.

**TERMS AND CONDITIONS OF
\$0.70 (25 MAY 2014) UNLISTED OPTIONS**

**ALARA RESOURCES LIMITED
A.B.N. 27 122 892 719**

1. Nil Consideration Payable

No subscription or application monies will be payable for the issue of each option (**Option**).

2. Entitlement

Each Option shall entitle the holder (the **Option Holder**) to subscribe (in cash) for one (1) fully-paid ordinary share (**Share**) in the capital of Alara Resources Limited ACN 122 892 719 (**Company**) at an exercise price equal to \$0.70 (**Exercise Price**).

The Options will not be quoted on the ASX.

3. Option Period

Each Option will expire at 5:00pm (Perth time) on 25 May 2014 (such date being referred to as the **Option Expiry Date**). Subject to Clauses 4, 5 and 9 hereof, each Option may be exercised by the Option Holder at any time prior to the Option Expiry Date and any Option not so exercised shall automatically expire on the Option Expiry Date.

4. Lapsing of Options Prior to Option Expiry Date

4.1 Options will lapse prior to the Option Expiry Date:

4.1.1 Upon determination by the Board that the Employee has acted fraudulently or dishonestly in relation to his obligations to the Company or the Principal Consultant's agreement with the Company has been terminated with cause by the Company (as defined therein), as the case may be;

4.1.2 Upon the Employee resigning from office as a Employee (other than at the request of the Board) or the Principal Consultant terminating his agreement with the Company without cause (as defined therein) (as the case may be) and not exercising the Option within one month following that event,

unless the Board determines in its unfettered discretion that lapse will not occur or will be delayed for any period or until the occurrence of any condition.

4.2 "**Employee/Principal Consultant**" means the Employee or Principal Consultant (as the case may be) to whom the Company has offered the Options and who has nominated the Option Holder to receive the Options offered to him by the Company.

5. Ranking of Share Issued on Exercise of Option

Each Share issued as a result of the exercise of an Option will, subject to the Constitution of the Company, rank in all respects equally with all of the existing Shares in the capital of the Company on issue at the date of issue of the Share issued pursuant to the exercise of the Option.

6. Notification to Option Holders

The Option Holder will be entitled to receive - and will be sent - all reports, accounts and notices required to be given to the members of the Company but will not be entitled to attend or vote at any meeting of the members of the Company unless they are, in addition to being an Option Holder, a member of the Company.

7. Dealings in Options

7.1 Save as provided in clause 7.2, the Option Holder may not sell, transfer, assign, mortgage or otherwise encumber an Option,

unless agreed in writing by the Board and subject to any applicable law and the ASX Listing Rules.

7.2 If the Option Holder is the Employee/Principal Consultant to whom the Company has offered to apply for Options, the Employee/Principal Consultant Option Holder may at any time transfer all or any of their Options to the Employee/Principal Consultant's spouse, to a company in which the Employee/Principal Consultant or his spouse is a shareholder, to a trustee of a trust in which the Employee/Principal Consultant or his spouse has a beneficial interest to be held on that trust or to the trustee of any superannuation fund of which the Employee/Principal Consultant or his spouse is a member to be held in that member's account, subject to any applicable law and the ASX Listing Rules. After any transfer of an Option permitted by this clause 7.2, a reference to the Option Holder is a reference to the transferee.

8. Method of Exercise of an Option

8.1 A certificate or holding statement will be issued by the Company with respect to Options held by the Option Holder. Attached to or endorsed on the reverse side of each certificate or holding statement will be a notice that is to be completed by the Option Holder when exercising the Options the subject of the certificate or holding statement (**Notice of Exercise of Options**). Vested Options may be exercised by the Option Holder completing the Notice of Exercise of Options and forwarding the same to the Secretary of the Company. The Notice of Exercise of Options must state the number of Vested Options exercised and the consequent number of ordinary Shares in the capital of the Company to be issued. The number of Vested Options exercised must be a multiple of 1,000 if only part of the Option Holder's total Vested Options are exercised. If the total number of Vested Options held by the Option Holder is less than 1,000, then all Vested Options held by the Option Holder must be exercised at the same time.

8.2 The Notice of Exercise of Options by the Option Holder must be accompanied by payment in full for the relevant number of Shares being subscribed for, being an amount equal to the Exercise Price per Share multiplied by the number of Options being exercised.

8.3 Subject to Clause 8.1 hereof, the exercise of less than all of the Option Holder's Vested Options will not prevent the Option Holder from exercising the whole or any part of the balance of the Option Holder's entitlement under the Option Holders remaining Options (when vested).

8.4 On exercise of Vested Options, the Option Holder must surrender to the Company the Option Holder's option certificate or holding statement for the Options being exercised.

8.5 If the Option Holder exercises less than the total number of Vested Options then registered in the Option Holder's name:

8.5.1 the Option Holder must surrender the option certificate or holding statement with respect to the Option Holder's Options to the Company; and

- 8.5.2 the Company must cancel that option certificate or holding statement and issue to the Option Holder a new certificate or holding statement with respect to the balance of the Option Holder's unexercised Options.
- 8.6 Within 14 days from the date the Option Holder properly exercises Vested Options held by the Option Holder, the Company shall issue to the Option Holder that number of Shares in the capital of the Company so subscribed for by the Option Holder.
- 8.7 The Company will (subject to any escrow restrictions imposed by ASX) within three (3) business days from the date of issue and allotment of Shares pursuant to the exercise of Vested Options, apply to ASX for, and use its best endeavours to obtain, Official Quotation of all such Shares, in accordance with the Corporations Act (Cth) 2001 and the Listing Rules of ASX.

9. Reconstruction

In the event of a reconstruction (including consolidation, subdivision, reduction or return) of the issued capital of the Company, the rights of the Option Holder will be treated in the manner set out in the Listing Rules of ASX applying to reconstructions at that time.

10. Participation in New Share Issues

There are no participating rights or entitlements inherent in the Options to participate in any new issues of capital which may be made or offered by the Company to its Shareholders from time to time prior to the Option Expiry Date unless and until the Options are exercised. The Company will ensure that during the exercise period of the Options, the record date for the purposes of determining entitlements to any new such issue, will be at least 9 Business Days after such new issues are announced in order to afford the Option Holder an opportunity to exercise any Vested Options then held by the Option Holder.

11. Change of Options Exercise Price or Number of Underlying Shares

- 11.1 If the Company makes a pro-rata issue (except a bonus issue) to the holders of ordinary Shares, the exercise price of each Option shall be adjusted in accordance with the provisions of the Listing Rules of ASX. No change will be made pursuant to the application of the above formula to the number of Shares to which the Option Holder is entitled.
- 11.2 If the Company makes a bonus issue of Shares or other securities convertible into ordinary Shares pro rata to holders of ordinary Shares the number of Shares issued on exercise of each Option will include the number of bonus Shares that would have been issued if the Option had been exercised by the Option Holder prior to the book closing date for bonus Shares. No change will be made in such circumstances to the exercise price of each Option.